

**SUMMERFIELD SCHOOLS  
PETERSBURG, MICHIGAN  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
WITH  
INDEPENDENT AUDITORS' REPORT**

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## Summerfield Schools

### Management's Discussion and Analysis

Summerfield Schools (the District) is a K-12 school district located in Monroe County, Michigan. This section of our annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services were financed and what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The *Notes to the Financial Statements* provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements.

The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements and include a comparison of the District's budget for the year.

### District Wide Statements

The *district-wide* statements report information about the District's finances as a whole, using accounting methods similar to a private-sector business. The two district-wide statements are the Statement of Net Assets and the Statement of Activities.

The *statement of net assets* presents all of the District's assets and liabilities, the difference between the two being reported as net assets. Increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

The *statement of activities* reports the current year's revenues and expenses, regardless of when cash is received or paid. The governmental activities of the District include regular and special education, transportation and administration. State aid formula and property taxes finance most of these activities.

### Fund Financial Statements

The *fund financial statements* focus on the individual parts of the District. The fund financial statements provide more detailed information than the district-wide statements and focus on the District's major funds not the District as a whole. The District's major instructional and support activities are reported in the General Fund. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Most of the District's activities are included in the *governmental funds*. The focus of the governmental funds is on short-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. The information should be useful in evaluating the

District's short-term financing requirements. The General Fund and Capital Projects Fund are considered major funds for the District. All other governmental funds are considered to be non-major funds, as presented in the Balance Sheet of Non-major Governmental Fund Types. For the fiscal year ending June 30, 2008, the District had four Special Revenue Funds: Food Service, Athletics, Community Recreation and Technology. The District also has two Debt Service Funds, the Durant Bond Fund and the 2006 Debt Service Fund (see Long Term Debt).

*Fiduciary Funds* are used to account for resources held by the District that belong to others, such as the scholarship and student activities funds. Fiduciary funds are not reported in the district-wide financial statements because the resources are not available to support the District's programs. Fiduciary funds are accounted for using the accrual basis of accounting.

### Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>- Statement of Net Assets</li> <li>- Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>- Balance Sheet</li> <li>- Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>- Statement of Fiduciary Net Assets</li> <li>- Statement of Changes in Fiduciary Net Assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Table A-1

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities covered and the types of information they contain. The remainder of this overview section highlights the structure and contents of each of the statements.

## Financial Analysis of the District as a Whole

### Net Assets

The District had net assets of \$2,785,450 as of June 30, 2008, which is a 9.7% decrease from the previous year. \$126,918 of the District's net assets is reserved for debt service, \$5,758 is reserved for capital projects (construction/renovation), \$14,619 for school lunch, \$77,864 for technology, \$35,960 for community recreation, and \$871,775 is unrestricted. About 60% of the District's assets consist of its investment in capital assets (e.g., land and improvements, buildings and additions, vehicles, furniture and equipment). The District uses the capital assets to provide education to its students, thus these assets are not resources available for future spending.

The District's decline of its overall financial position is the result of several financial transactions including the net results of activities, and the acquisition and depreciation of capital assets.

### Summary of Net Assets

	As of June 30, 2007	As of June 30, 2008	Total Percentage Change 2007-2008
Current assets	\$ 3,093,461	\$ 1,775,264	-42.6%
Capital assets - net of depreciation	6,488,280	7,002,508	7.9%
<b>Total assets</b>	<b>9,581,741</b>	<b>8,777,772</b>	<b>-8.4%</b>
Current liabilities	1,232,321	852,836	-30.8%
Long-term liabilities	5,265,358	5,139,486	-2.4%
<b>Total liabilities</b>	<b>6,497,679</b>	<b>5,992,322</b>	<b>-7.8%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,113,865	1,652,556	48.4%
Restricted for:			
Debt service	119,379	126,918	6.3%
Capital Projects	899,719	5,758	-99.4%
School Lunch	3,517	14,619	
Technology	45,002	77,864	
Community Recreation	35,199	35,960	
Unrestricted	867,381	871,775	0.5%
<b>Total net assets</b>	<b>\$ 3,084,062</b>	<b>\$ 2,785,450</b>	<b>-9.7%</b>

### Changes in Net Assets

The District's total revenues for the fiscal year ended June 30, 2008 were \$7.1 million while the total expenses for all programs and services were \$7.4 million. General revenues accounted for 93.5% of total revenues, which consists of the unrestricted portion of the state school aid, property taxes and intermediate sources. Operating grants such as federal and state programs were 2.6% of total revenues and charges for services made up the remaining 3.9% of total revenues. Nearly 50% of total expenses were for instruction of students and 32% was for support services.

Summary of Changes in Net Assets		Percentage Change	
	June 30, 2007	June 30, 2008	2007-2008
Revenues:			
Program Revenues:			
Charges for services	\$ 245,106	\$ 274,593	12.0%
Federal and state categorical grants	214,915	186,020	-13.4%
General revenues:			
Property taxes - Operations	327,194	348,602	6.5%
Property taxes - Technology	189,962	202,332	6.5%
Property taxes - Debt Retirement	297,801	312,451	4.9%
State aid - unrestricted	5,619,087	5,490,450	-2.3%
ISD	234,521	208,796	-11.0%
Other	166,224	88,533	-46.7%
<b>Total revenues</b>	<b>7,294,810</b>	<b>7,111,777</b>	<b>-2.5%</b>
Expenses:			
Instruction	3,650,595	3,696,757	1.3%
Support services	2,497,238	2,360,614	-5.5%
Food services	235,247	245,482	4.4%
Athletics	230,155	233,608	1.5%
Community services	71,869	83,351	16.0%
Technology	67,116	169,470	152.5%
Interest - Long Term Debt	217,367	217,854	0.2%
Other	82,279	947	-98.8%
Unallocated depreciation	305,452	402,306	31.7%
<b>Total expenses</b>	<b>7,357,318</b>	<b>7,410,389</b>	<b>0.7%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (62,508)</b>	<b>\$ (298,612)</b>	<b>377.7%</b>

#### District (Governmental) Activities

Significant revenues and expenses are discussed in the segments below:

##### 1. State of Michigan Aid - unrestricted (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. Fiscal year per student foundation allowance determined by the State of Michigan State Aid Act
- b. State Aid Membership - the number of students enrolled calculated by blending 25 percent of the number of students enrolled in February and 75 percent of the number of students enrolled in September.
- c. The District's non-homestead taxable value

##### Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The foundation allowance for the 2007-2008 fiscal year was \$7,204, which was an increase of \$119 over the previous fiscal year. Despite the economic condition of the State of Michigan the state fully funded their portion of the foundation allowance for the 2007-2008 fiscal year.

#### Student Enrollment:

The District's blended enrollment for the 2007-2008 fiscal year was 791.16. The District's blended enrollment decreased 27.18 student FTE's from the prior school year. The following summarizes the District's blended student enrollments for the past six years:

	Student FTE	FTE Change from Prior Year
2007-2008	791.16	(27.18)
2006-2007	818.34	(3.67)
2005-2006	822.01	(0.20)
2004-2005	822.21	(22.85)
2003-2004	845.06	20.53
2002-2003	824.53	(30.48)

#### 2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The district is subject to a Headlee Rollback and can only legally levy 17.4708 mills of property taxes for operations (General Fund) on Non-Homestead Properties. The lost revenue from not being able to levy the full 18mills was estimated at \$10,502 or \$13.27 per student.

Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is uncapped to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue was \$348,602 for the 2007-2008 fiscal year compared to \$327,194 for the 2006-2007 year.

The following summarizes the District' non-homestead levy the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase from Prior Year
2007-2008	\$348,602	6.5%
2006-2007	\$327,194	(0.6)%
2005-2006	\$329,099	4.0%
2004-2005	\$316,349	2.64%
2003-2004	\$308,226	4.68%
2002-2003	\$294,430	0.1%

#### 3. Food Sales to Students & Adults (School Lunch Program)

Revenues from food and milk sales to students and adults increased approximately 8.9% from the prior school year. Neither school lunch nor milk prices were increased. Revenues from state and federal sources increased over the prior year. The District had six less serving days due to school closings for severe weather.



Summary of Food Service Revenues and Expenditures			Total Percentage Change
	June 30, 2007	June 30, 2008	2007-2008
Food Service Revenues:			
Local (sales to participants)	\$ 144,302	\$ 157,090	8.86%
State sources	\$ 10,621	\$ 11,302	6.41%
Federal sources	\$ 53,788	\$ 60,096	11.73%
Total revenues	\$ 208,711	\$ 228,488	9.48%
Food Service Expenditures	\$ 235,247	\$ 245,482	4.35%

The total expenditures for Food Service operations exceeded total revenues for the year by \$16,994. The District transferred \$29,821 from the general fund for food service operations.

#### 4. Operating Grants

The District funds a small portion of its operations with categorical grants. For the fiscal year ending June 30, 2008, General Fund operating grants accounted for \$186,020; of that \$111,097 was for instruction and \$14,127 for support services and \$60,796 for food services.

#### 5. County Special Education Allocation

For the fiscal year ending June 30, 2008, the District received an allocation from the Monroe Intermediate School District in the amount of \$208,061 to assist with the education of students with special needs. This allocation is funded by federal grants and a county special education millage. The allocation for the previous fiscal year was \$227,909.

### Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,085,412 is a result of spending the bond proceeds for the intended construction and renovations. The projects were completed as of the date of this report. The General Fund Balance was \$824,233 which is 13.6% of expenditures.

The District's General Fund supported the Food Service and Athletic Funds with cash transfers of \$29,821 and \$193,400, compared to \$28,000 and \$195,200 in the previous fiscal year, respectively.

The Community Recreation Fund had revenues that exceeded expenditures by \$3,961, compared to \$20 the prior year.

School districts in Monroe County, Michigan receive an Enhancement Millage for Technology. The technology millage is accounted for in a special revenue fund on The Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Special Revenue Funds (see page 33). The amount received for the 2007-2008 fiscal year was \$202,332 compared to \$189,962 in the prior year. For the fiscal year ending June 30, 2008 the fund balance for technology was \$77,864 compared to \$45,002 the prior year.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. For the fiscal year ending June 30, 2008 the budget was amended in March and June 2008. The following schedule shows a comparison of the general fund original adopted budget, the final amended budget, and actual revenues and expenditures:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive/(negative)	Percent Variance
Total Revenues	\$ 6,144,342	\$ 6,192,797	\$ 6,214,226	\$ 21,429	0.3
Expenditures					
Instruction	3,865,423	3,720,711	3,696,938	23,773	0.6
Supporting Services	2,425,789	2,419,796	2,364,487	55,309	2.2
Total Expenditures	\$ 6,291,212	\$ 6,140,507	\$ 6,061,425	\$ 79,082	1.2

The original budgeted revenue was increased by \$48,455. The original expenditure budget was decreased from \$6.29 million to \$6.14 million.

**Variations between the original and final budget:**

Revenues -

- Increase in state sources for declining enrollment and foundation allowance of \$169 per pupil.
- Increase in special education reimbursement from intermediate sources.

Expenditures -

- Decrease cost of retirement funding - original assumption was 18.56% but the retirement rate was 16.72%.
- Decreased overtime costs for maintenance.

In accordance with the Uniform Budgeting and Accounting Act, school districts in the state of Michigan must adopt a budget by June 30 of the calendar year for the fiscal year beginning July 1. At that time the exact amount of funding from the state is only an estimate.

Variances between the final budget and actual results are due to wages and benefits of support staff being less than anticipated and spending less than anticipated for supplies and purchased services.

**Capital Asset and Debt Administration**

**Capital Assets**

During the fiscal year the District invested \$916,534 in capital assets, using the proceeds of the bonds issued for construction/renovation to the district's existing buildings. The District's total investment in capital assets, net of depreciation was \$7,002,508 as of June 30, 2008 compared to \$6,488,280 last year. Depreciation expense for the fiscal year was \$401,917 and amortization expense for the leased capital asset was \$389.

Capital assets - net of depreciation			Total Percentage Change
	June 30, 2007	June 30, 2008	2007-2008
Land	\$ 137,972	\$ 137,972	0.0%
Construction in progress	219,618	-	-100.0%
Land improvements	411,478	623,802	51.6%
Buildings and additions	5,038,253	5,668,343	12.5%
Equipment and furniture	401,114	354,775	-11.6%
Buses	279,845	217,616	-22.2%
Vehicles other than buses	0	0	0.0%
Total	<u>\$ 6,488,280</u>	<u>\$ 7,002,508</u>	<u>7.9%</u>

### Long-Term Debt

The District's outstanding long-term debt for the Durant bonds, which were issued as part of a settlement agreement that the state of Michigan paid to many non-plaintiff school districts in 1998, as of June 30, 2008 was \$58,016 (See Note 5 Long-Term Debt).

The District has a capital lease for a vending machine used in the food service program. The lease is for a period of 60 months. The balance as of June 30, 2008 was \$1,481.

In November, 2005 voters approved a \$5.35 million, general obligation bond issue for the purpose of remodeling, furnishing, and refurbishing, equipping, and re-equipping Summerfield Schools' facilities; constructing an all-weather track; and developing and improving sites. The original issue date was February 23, 2006. The District's outstanding long-term debt as of June 30, 2008 is \$5,180,000. The principal payment due May 1, 2009 is \$110,000.

The District financed the purchase of one new school bus with an installment purchase agreement. Terms of the agreement are 60 monthly payments of \$1,599. Outstanding long-term debt as of June 30, 2008 is \$67,698.

### Factors Bearing on the District's Future

The State of Michigan has committed to an increase of \$112 per student for the 2008-2009 fiscal year. The anticipated revenue for the District is \$7,316 per student. However, due to economic conditions proration of the foundation allowance is a possibility.

The District participates in the Michigan Public School Employees Retirement System (MPERS). HB 4530 allowed for a change in the method of valuation of assets for the MPERS and requires schools to pay the normal cost plus interest on the unfunded liability. Assets were revalued to reflect market value at September 30, 2006, allowing the system to recognize recent years of positive investment earnings. This action also reset the five-year smoothing period. The required contribution rate decreased from 17.74% to 16.72% October 1, 2007. The required contribution rate decreased from 16.72% to 16.54% October 1, 2008. It is expected that these events in combination with the recent market transactions may cause the required contribution to increase at a faster rate in the next few years.

The state uses a blended formula to calculate student membership for the foundation allowance. The membership is based on 25% of the February and 75% of the September student count. The district's state aid membership was 791.16 for the 2007-08 year and is expected to be 772.04 for the 2008-2009 school year. The decrease is 19.12 students from the prior year.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Superintendent's Office, Summerfield Schools, 17555 Ida West Road, Petersburg, Michigan 49270.

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Summerfield Schools, as of and for the year ended June 30, 2008, which collectively comprise Summerfield Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Summerfield Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Summerfield Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008 on our consideration of the Summerfield Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

The management's discussion and analysis and budgetary comparison information on pages i through ix and page 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Summerfield Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
October 31, 2008

**SUMMERFIELD SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008 and 2007

	<u>Governmental Activities</u>	
<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 676,332	\$ 851,363
Investments		1,091,902
Accounts receivable	13,019	8,107
Due from other governmental units	1,043,086	1,009,790
Interest receivable		15,444
Inventory	3,096	3,129
Prepaid expenses	<u>39,731</u>	<u>113,726</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,775,264</u>	<u>3,093,461</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets	12,581,892	11,665,358
Less: Accumulated depreciation	<u>(5,584,162)</u>	<u>(5,182,245)</u>
Leased property under capital leases	5,827	5,827
Less: Accumulated amortization	<u>(1,049)</u>	<u>(660)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,002,508</u>	<u>6,488,280</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,777,772</u>	<u>\$ 9,581,741</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 47,586	\$ 132,755
Construction contracts payable		252,828
Interest payable	34,825	35,419
Salaries payable	401,735	399,546
Accrued expenses	214,831	271,447
Unearned revenue	25,700	27,881
Current portion of capital lease	1,481	1,522
Current portion of long term obligations	126,435	110,698
Current portion of compensated absences	<u>243</u>	<u>225</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>852,836</u>	<u>1,232,321</u>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of capital lease		1,481
Noncurrent portion of long term obligations	5,179,279	5,305,331
Less: discount on bonds	<u>(42,757)</u>	<u>(44,617)</u>
Noncurrent portion of compensated absences	<u>2,964</u>	<u>3,163</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>5,139,486</u>	<u>5,265,358</u>
<b>TOTAL LIABILITIES</b>	<u>5,992,322</u>	<u>6,497,679</u>
<b>NET ASSETS:</b>		
Invested in capital assets net of related debt	1,652,556	1,113,865
Restricted for:		
Debt Service	126,918	119,379
Capital Projects	5,758	899,719
School Lunch	14,619	3,517
Technology	77,864	45,002
Community Rec.	35,960	35,199
Unrestricted	<u>871,775</u>	<u>867,381</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,785,450</u>	<u>\$ 3,084,062</u>

See notes to financial statements.

**SUMMERFIELD SCHOOLS**  
**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Totals</u> <u>Governmental Activities</u>	
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Net (Expense) Revenue</u> <u>and Changes in Net Assets</u> <u>2008</u>	<u>2007</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Instruction	\$ 3,696,757	\$	\$ 111,097	\$ (3,585,660)	\$ (3,499,969)
Support services	2,360,614		14,127	(2,346,487)	(2,480,237)
Food services	245,482	155,672	60,796	(29,014)	(37,157)
Athletics	233,608	31,609		(201,999)	(201,240)
Community services	83,351	87,312		3,961	20
Technology	169,470			(169,470)	(67,116)
Other	947			(947)	(82,279)
Interest on long term debt including amortization of discount	217,854			(217,854)	(217,367)
Unallocated depreciation	401,917			(401,917)	(305,052)
Unallocated amortization	<u>389</u>			<u>(389)</u>	<u>(400)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 7,410,389</u></b>	<b><u>\$ 274,593</u></b>	<b><u>\$ 186,020</u></b>	<b><u>(6,949,776)</u></b>	<b><u>(6,890,797)</u></b>
<b>GENERAL REVENUES:</b>					
Property taxes, levied for general purposes				348,602	327,194
Property taxes, levied for technology				202,332	189,962
Property taxes for debt retirement				312,451	297,801
Investment earnings				39,242	132,058
State sources – unrestricted				5,490,450	5,619,087
Intermediate sources				208,796	234,521
Gain on sale of capital assets				1,000	5,096
Other				<u>48,291</u>	<u>29,070</u>
<b>TOTAL GENERAL REVENUES</b>				<b><u>6,651,164</u></b>	<b><u>6,834,789</u></b>
<b>CHANGE IN NET ASSETS</b>				<b>(298,612)</b>	<b>(56,008)</b>
Net assets, beginning of year				<u>3,084,062</u>	<u>3,140,070</u>
Net assets, end of year				<b><u>\$ 2,785,450</u></b>	<b><u>\$ 3,084,062</u></b>



**SUMMERFIELD SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**  
**With Comparative Totals for June 30, 2007**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds 2008</u>	<u>2007</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 412,958	\$ 5,758	\$ 257,616	\$ 676,332	\$ 851,363
Investments					1,091,902
Accounts receivable	1,497		11,522	13,019	8,107
Due from other funds	6,814			6,814	117
Due from other governmental units	1,034,743		8,343	1,043,086	1,009,790
Interest receivable					15,444
Inventory			3,096	3,096	3,129
Prepaid expenditures	<u>35,241</u>	<u>          </u>	<u>4,490</u>	<u>39,731</u>	<u>113,726</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,491,253</u>	<u>\$ 5,758</u>	<u>\$ 285,067</u>	<u>\$ 1,782,078</u>	<u>\$ 3,093,578</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 39,400	\$	\$ 8,186	\$ 47,586	\$ 132,755
Construction contracts payable					252,828
Due to other funds			6,814	6,814	117
Salaries payable	397,195		4,540	401,735	399,546
Accrued expenditures	209,013		5,818	214,831	271,447
Unearned revenue	<u>21,412</u>	<u>          </u>	<u>4,288</u>	<u>25,700</u>	<u>27,881</u>
<b>TOTAL LIABILITIES</b>	<u>667,020</u>	<u>-</u>	<u>29,646</u>	<u>696,666</u>	<u>1,084,574</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Inventory			3,096	3,096	3,129
Debt service			126,918	126,918	119,379
Capital projects		5,758		5,758	899,719
Prepaid expenditures	35,241			35,241	113,726
Unreserved, reported in:					
General Fund	788,992			788,992	795,242
Special Revenue Funds			<u>125,407</u>	<u>125,407</u>	<u>77,809</u>
<b>TOTAL FUND BALANCES</b>	<u>824,233</u>	<u>5,758</u>	<u>255,421</u>	<u>1,085,412</u>	<u>2,009,004</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,491,253</u>	<u>\$ 5,758</u>	<u>\$ 285,067</u>	<u>\$ 1,782,078</u>	<u>\$ 3,093,578</u>

**SUMMERFIELD SCHOOLS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 1,085,412	\$ 2,009,004
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital asset is	12,581,892	11,665,358
The accumulated depreciation is	(5,584,162)	(5,182,245)
The amount of leased property under capital leases is	5,827	5,827
The accumulated amortization is	<u>(1,049)</u>	<u>(660)</u>
	7,002,508	6,488,280
The discount on bonds reported in the governmental activities is not a financial resource and is not reported in the funds:		
Unearned discount on bonds	42,757	
	42,757	44,617
Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(5,180,000)	(5,275,000)
Durant bonds	(58,016)	(58,016)
Bus loan payable	(67,698)	(83,013)
Capital lease payable	(1,481)	(3,003)
Compensated absences	(3,207)	(3,388)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(34,825)</u>	<u>(35,419)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,785,450</u>	<u>\$ 3,084,062</u>

**SUMMERFIELD SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds 2008</u>	<u>2007</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 348,602	\$	\$ 312,451	\$ 661,053	\$ 624,995
Investment earnings	13,122	23,303	2,817	39,242	132,058
Sales, admissions and fees			274,593	274,593	245,106
Other	<u>38,634</u>	<u></u>	<u>9,657</u>	<u>48,291</u>	<u>29,070</u>
<b>TOTAL LOCAL SOURCES</b>	400,358	23,303	599,518	1,023,179	1,031,229
State sources	5,500,465		11,302	5,511,767	5,664,119
Federal sources	104,607		60,096	164,703	169,883
Intermediate sources	<u>208,796</u>	<u></u>	<u>202,332</u>	<u>411,128</u>	<u>424,483</u>
<b>TOTAL REVENUES</b>	<u>6,214,226</u>	<u>23,303</u>	<u>873,248</u>	<u>7,110,777</u>	<u>7,289,714</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	3,696,938			3,696,938	3,650,702
Support services	2,360,614			2,360,614	2,497,238
Food service activities			245,482	245,482	235,247
Athletic activities			233,608	233,608	230,155
Community service activities			83,351	83,351	71,869
Technology			169,470	169,470	67,116
Other		730		730	81,438
Capital outlay		916,534		916,534	3,252,461
Debt service:					
Interest	3,873		212,715	216,588	256,648
Fees and miscellaneous	<u></u>	<u></u>	<u>217</u>	<u>217</u>	<u>841</u>
<b>TOTAL EXPENDITURES</b>	<u>6,061,425</u>	<u>917,264</u>	<u>944,843</u>	<u>7,923,532</u>	<u>10,343,715</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>152,801</u>	<u>(893,961)</u>	<u>(71,595)</u>	<u>(812,755)</u>	<u>(3,054,001)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of school property	1,000			1,000	5,096
Proceeds from installment loan for bus					85,560
Redemption of principal	(15,315)		(96,522)	(111,837)	(78,949)
Transfers in			223,221	223,221	223,200
Transfers out	<u>(223,221)</u>	<u></u>	<u></u>	<u>(223,221)</u>	<u>(223,200)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(237,536)</u>	<u>-</u>	<u>126,699</u>	<u>(110,837)</u>	<u>11,707</u>
<b>NET CHANGE IN FUND BALANCES</b>	(84,735)	(893,961)	55,104	(923,592)	(3,042,294)
<b>FUND BALANCES:</b>					
Beginning of year	<u>908,968</u>	<u>899,719</u>	<u>200,317</u>	<u>2,009,004</u>	<u>5,051,298</u>
End of year	<u>\$ 824,233</u>	<u>\$ 5,758</u>	<u>\$ 255,421</u>	<u>\$ 1,085,412</u>	<u>\$ 2,009,004</u>

See notes to financial statements.

# SUMMERFIELD SCHOOLS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Net change in fund balances total governmental funds</b>	<b>\$ (923,592)</b>	<b>\$(3,042,294)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation on the Statement of Activities:		
Depreciation expense	(401,917)	(305,052)
Amortization expense on leased property	(389)	(400)
Capital outlay	916,534	3,252,461
Accrued interest on bonds and other long term obligations is recorded in the Statement of Activities when incurred; it is not recorded in the governmental funds until it is paid:		
Accrued interest payable beginning of year	35,419	76,560
Accrued interest payable end of year	(34,825)	(35,419)
Accrued amortization	(1,860)	(1,860)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment on long-term debt and related items:		
	111,837	(6,611)
Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in governmental funds:		
Accrued compensated absences beginning of year	3,388	3,495
Accrued compensated absences end of year	<u>(3,207)</u>	<u>(3,388)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (298,612)</u></b>	<b><u>\$(62,508)</u></b>

SUMMERFIELD SCHOOLS  
STATEMENTS OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008  
With Comparative Totals for June 30, 2007

<u>ASSETS</u>	Private Purpose Trust Funds	Expendable Trust & Agency Funds	<u>2008</u>	Totals <u>2007</u>
Cash and cash equivalents	\$ 31,288	\$ 52,238	\$ 83,526	\$ 68,531
Investments	<u>10,889</u>	<u>42,601</u>	<u>53,490</u>	<u>61,537</u>
<b>TOTAL ASSETS</b>	<u>\$ 42,177</u>	<u>\$ 94,839</u>	<u>\$ 137,016</u>	<u>\$ 130,068</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<b>LIABILITIES:</b>				
Due to student groups	\$ _____	\$ 88,373	\$ 88,373	\$ 87,905
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>88,373</u>	<u>88,373</u>	<u>87,905</u>
<b>NET ASSETS:</b>				
Reserved for:				
Scholarships – expendable		6,466	6,466	6,674
Scholarships – nonexpendable	<u>42,177</u>	<u>          </u>	<u>42,177</u>	<u>35,489</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 42,177</u>	<u>\$ 6,466</u>	<u>\$ 48,643</u>	<u>\$ 42,163</u>

SUMMERFIELD SCHOOLS  
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

	Private Purpose <u>Trust Funds</u>	Expendable <u>Trust</u>	<u>2008</u>	Totals <u>2007</u>
<b>ADDITIONS:</b>				
Contributions	\$ 5,000	\$	\$ 5,000	\$ 600
Investment earnings	<u>1,896</u>	<u>292</u>	<u>2,188</u>	<u>1,406</u>
<b>TOTAL ADDITIONS</b>	<u>6,896</u>	<u>292</u>	<u>7,188</u>	<u>2,006</u>
<b>DEDUCTIONS:</b>				
Scholarships awarded		500	500	1,000
Fees and miscellaneous	<u>208</u>	<u></u>	<u>208</u>	<u>817</u>
<b>TOTAL DEDUCTIONS</b>	<u>208</u>	<u>500</u>	<u>708</u>	<u>1,817</u>
<b>CHANGE IN NET ASSETS</b>	6,688	(208)	6,480	189
<b>NET ASSETS:</b>				
Beginning of year	<u>35,489</u>	<u>6,674</u>	<u>42,163</u>	<u>41,974</u>
End of year	<u>\$ 42,177</u>	<u>\$ 6,466</u>	<u>\$ 48,643</u>	<u>\$ 42,163</u>

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Summerfield Schools (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented the provisions of Statement No. 34 effective July 1, 2003.

**A. Reporting Entity**

The District is governed by the Board of Education (the "Board") of Summerfield Schools, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide And Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District's activities are classified as governmental activities. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net assets. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide And Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

This government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income, and other revenues).

The District does not allocate indirect costs to other funds.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.



**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide And Fund Financial Statements (Continued)**

The *Capital Projects Fund* accounts for the receipt of monies from the 2008 bond issue to purchase assets or to complete construction of major capital projects.

**Other Non-major Funds**

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The District accounts for its food service, athletic activities, community recreation, and technology in the Special Revenue Funds.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is reported using the accrual method of accounting. Private Purpose Trust Funds account for nonexpendable and expendable trusts. Nonexpendable trusts account for assets contributed by outside parties with the stipulation that the earnings on the principal may be spent according to the specified purpose stated in the trust agreement, but the principal must remain in tact. Expendable trusts account for assets contributed by outside parties in which both the principal and earnings may be spent according to the specified purpose stated in the trust agreement.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis Of Accounting And Basis Of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis Of Accounting And Basis Of Presentation (Continued)**

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation.

<u>Fund</u>	<u>Mills</u>
General Fund Non-homestead	17.4708

**3. Accounts Receivable**

Accounts receivable at June 30, 2008 have been determined to be collectible in full.

**4. Inventories and Prepaid Expenditures**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

**5. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Equipment and furniture	5 – 20 years
Buses and other vehicles	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**6. Fund Balances**

Fund balances on the Governmental fund balance sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for Inventory is the portion of fund balance represented by inventory not available for appropriation and expenditure at June 30, 2008. The reserve for the School Lunch Program represents the portion of fund balance that is legally segregated for expenditure within the School Lunch Fund. The reserve for Debt Service and the reserve for Capital Projects are legally segregated for expenditure within the Debt Service Fund and the Capital Projects Funds, respectively. The reserve for Prepaid expenditures represents the amount paid in this fiscal year for the benefit of the subsequent year.

**7. Use of Estimates**

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue funds. A budget for the Capital Projects and Debt Service Funds is not legally required. Therefore, a budgetary comparison schedule is not presented for the major fund, Capital Projects Fund.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**NOTE 3. DEPOSITS – CREDIT RISK**

**Deposits**

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$774,679 of the District's bank balance of \$907,696 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 774,679</u>
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See notes to financial statements.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

**NOTE 4. CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	<b>PRIMARY GOVERNMENT</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Assets not being depreciated:</b>				
Land	\$ 137,972	\$	\$	\$ 137,972
Construction in progress	<u>219,618</u>	<u></u>	<u>219,618</u>	<u>-</u>
Total assets not being depreciated	<u>357,590</u>	<u>-</u>	<u></u>	<u>137,972</u>
Land improvements	930,179	253,683		1,183,862
Buildings and additions	8,970,262	878,085		9,848,347
Equipment and furniture	557,661	4,384		562,045
Buses	800,354			800,354
Vehicles other than buses	49,312			49,312
Capital lease – vending machine	<u>5,827</u>	<u></u>	<u></u>	<u>5,827</u>
Total depreciable capital assets	<u>11,313,595</u>	<u>1,136,152</u>	<u>-</u>	<u>12,449,747</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	518,701	41,359		560,060
Buildings and additions	3,932,009	247,995		4,180,004
Equipment and furniture	161,714	50,334		212,048
Buses	520,509	62,229		582,738
Vehicles other than buses	<u>49,312</u>	<u></u>	<u></u>	<u>49,312</u>
Total accumulated depreciation	<u>5,182,245</u>	<u>401,917</u>	<u>-</u>	<u>5,584,162</u>
<b>Less accumulated amortization for:</b>				
Leased property under capital leases	<u>660</u>	<u>389</u>	<u></u>	<u>1,049</u>
Governmental activities capital assets, net	<u>\$ 6,488,280</u>	<u>\$ 733,846</u>	<u>\$ 219,618</u>	<u>\$ 7,002,508</u>

Capital assets are depreciated over their estimated useful lives using the straight line method of depreciation for all classes of depreciable assets. Depreciation and amortization for the fiscal year ended June 30, 2008 amounted to \$401,917 and \$389, and \$305,052 and \$400, respectively. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions. The beginning construction in progress was restated by \$6,500 due to a computer program change.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

**NOTE 5. LONG-TERM DEBT**

**Bonds**

The School District has issued a general obligation bond issue, in compliance with Section 380.1212 of the Revised School Code, Act 451 of 1976, dated February 23, 2006, for the purpose of partially remodeling, furnishing and refurbishing, equipping and re-equipping Summerfield Schools' facilities; constructing an all-weather track; and developing and improving sites. The bond issue for \$5,350,000 has an interest rate of 3.75% to 4.4%

<u>Year Ended</u> <u>June 30.</u>	<u>Principal</u>	<u>Interest</u> <u>November 1</u>	<u>Interest Due</u> <u>May 1</u>	<u>Total</u>
2009	\$ 110,000	\$ 104,475	\$ 104,475	\$ 318,950
2010	135,000	102,412	102,413	339,825
2011	145,000	99,881	99,881	344,762
2012	155,000	97,163	97,162	349,325
2013	160,000	94,256	94,256	348,512
2014	170,000	91,256	91,256	352,512
2015	175,000	88,069	88,069	351,138
2016	185,000	84,787	84,788	354,575
2017	195,000	81,319	81,319	357,638
2018	200,000	77,663	77,662	355,325
2019	210,000	73,813	73,813	357,626
2020	220,000	69,770	69,770	359,540
2021	230,000	65,370	65,370	360,740
2022	240,000	60,770	60,770	361,540
2023	250,000	55,970	55,970	361,940
2024	260,000	50,970	50,970	361,940
2025	275,000	45,640	45,640	366,280
2026	285,000	40,002	40,003	365,005
2027	295,000	34,160	34,160	363,320
2028	305,000	27,965	27,965	360,930
2029	315,000	21,560	21,560	358,120
2030	325,000	14,630	14,630	354,260
2031	<u>340,000</u>	<u>7,480</u>	<u>7,480</u>	<u>354,960</u>
	<u>\$5,180,000</u>	<u>\$1,489,381</u>	<u>\$1,489,382</u>	<u>\$8,158,763</u>

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

**NOTE 5. LONG-TERM DEBT (continued)**

**Bonds (continued)**

The Durant Bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid Payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. Due to economic conditions in the State of Michigan, payments of State Aid were eliminated and those payments due in years 2007 through 2010 are scheduled to be paid in year 2011.

A schedule of the Durant Bonds is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	\$	\$
2010			
2011	45,142	15,017	60,159
2012	6,287	613	6,900
2013	<u>6,587</u>	<u>313</u>	<u>6,900</u>
	<u>\$ 58,016</u>	<u>\$ 15,943</u>	<u>\$ 73,959</u>

**Capital Lease**

The School District entered into a capital lease for the purchase of a vending machine used in their food service program. The lease was dated May 19, 2005, for a period of sixty months, at 8.257%, due June 13, 2009. Monthly payments are \$173, and exclude the months of July and August of each fiscal year.

A schedule of the capital lease follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,481	\$ 73	\$ 1,554
	<u>\$ 1,481</u>	<u>\$ 73</u>	<u>\$ 1,554</u>



**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 5. LONG-TERM DEBT (Continued)**

**Bus Loans**

On April 12, 2007, a bus was purchased for \$85,560 and financed through United Bank and Trust at 4.6% interest, with monthly payments of \$1,599 due April 12, 2012.

<u>Year ended June 30,</u>	<u>Amount of Principal Installment</u>	<u>Interest</u>	<u>Total Principal Installment and Interest Payment</u>
2009	\$ 16,435	\$ 2,753	\$ 19,188
2010	17,207	1,981	19,188
2011	18,016	1,172	19,188
2012	<u>16,040</u>	<u>333</u>	<u>16,373</u>
	<u>\$ 67,698</u>	<u>\$ 6,239</u>	<u>\$ 73,937</u>

**Compensated absences**

Employees can accumulate compensated absences by not using the number of sick days allotted each year. The maximum number of allowable accumulated sick days varies for employees depending on the capacity in which the District employs him/her. The vested liability for compensated absences is based on a dollar amount multiplied by the number of days accumulated in excess of 65 days, for a maximum of 50 days, by employees who have been employed by the District for ten or more years. The current portion represents the estimated amount that will be paid to employees in the next fiscal year.

The following is a schedule of the governmental long term obligations for the District for the year ended June 30, 2008:

	<u>Bus Loan</u>	<u>Bonds</u>	<u>Compensated Absences</u>	<u>Durant Bonds</u>	<u>Capital Lease</u>	<u>Total</u>
Balance July 1, 2007	\$ 83,013	\$ 5,275,000	\$ 3,388	\$ 58,016	\$ 3,003	\$ 5,422,420
Additions						
Deletions	<u>(15,315)</u>	<u>(95,000)</u>	<u>(181)</u>		<u>(1,522)</u>	<u>(112,018)</u>
Balance June 30, 2008	67,698	5,180,000	3,207	58,016	1,481	5,310,402
Less: Current portion	<u>16,435</u>	<u>110,000</u>	<u>243</u>		<u>1,481</u>	<u>128,159</u>
Total due after one year	<u>\$ 51,263</u>	<u>\$ 5,070,000</u>	<u>\$ 2,964</u>	<u>\$ 58,016</u>	<u>\$ -</u>	<u>\$ 5,182,243</u>

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

**NOTE 5. LONG-TERM DEBT (continued)**

The debt service requirements of governmental activities at June 30, 2008 are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 127,916	\$ 213,184	\$ 341,100
2010	152,207	206,806	359,013
2011	208,158	217,432	425,590
2012-2016	873,914	912,321	1,786,235
2017-2021	1,055,000	735,868	1,790,868
2022-2026	1,310,000	506,705	1,816,705
2027-2031	<u>1,580,000</u>	<u>205,861</u>	<u>1,785,861</u>
	5,307,195	2,998,177	8,305,372
Plus: Compensated absences	<u>3,207</u>	<u>          </u>	<u>3,207</u>
Total	<u>\$5,310,402</u>	<u>\$2,998,177</u>	<u>\$8,308,579</u>

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**

Plan Description The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental, and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 4.3% of compensation over \$15,000.

Members enrolled in MIP on or after July 1, 2008, will contribute 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 6.4% of compensation over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to the MPSERS for the years ended June 30, 2008, 2007, and 2006 were \$654,084, \$681,065, and \$632,039, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage.

**NOTE 7. INTERFUND BALANCES AND TRANSFERS**

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances at June 30, 2008 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

<u>Fund</u>	<u>Due from</u>	<u>Fund</u>	<u>Due to</u>
General	\$ <u>6,814</u>	Nonmajor	\$ <u>6,814</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor	\$ <u>223,221</u>	General	\$ <u>223,221</u>

**SUMMERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are accrued based on the ultimate cost of the experience to date of participating members. The District cannot estimate any losses from reported and unreported claims at June 30, 2008. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**NOTE 9. CONTINGENCIES**

The District had no contingencies at June 30, 2008.

**NOTE 10. LEASES**

The District entered into an operating lease agreement with MT Business Leasing, Inc. on January 12, 2005 for the use of five copy machines. The lease term is sixty months, ending in June 2009, with payments of \$803 per month.

Rental costs for the fiscal year ended June 30, 2008 and 2007 were \$9,636 and \$9,636, respectively.

Obligations of governmental activities under operating leases at June 30, 2008 are as follows:

<b>Year Ended <u>June 30,</u></b>	<b><u>MT Business Leasing, Inc.</u></b>
2009	\$ 9,636
2010	<u>4,818</u>
	<u>\$ 14,454</u>

**NOTE 11. NET ASSETS RESTRICTED BY ENABLING LEGISLATION**

**Net Assets**

The government-wide statement of net assets reports \$147,295 of restricted net assets at June 30, 2008, all of which is restricted by enabling legislation.

**INDEPENDENT AUDITORS' REPORT ON REQUIRED  
SUPPLEMENTARY INFORMATION**

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
October 31, 2008

**SUMMERFIELD SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources	\$ 391,450	\$ 387,976	\$ 400,358	\$ 12,382
State sources	5,452,283	5,502,412	5,500,465	(1,947)
Federal sources	108,409	108,409	104,607	(3,802)
Intermediate sources	<u>192,200</u>	<u>194,000</u>	<u>208,796</u>	<u>14,796</u>
<b>TOTAL REVENUES</b>	<u>6,144,342</u>	<u>6,192,797</u>	<u>6,214,226</u>	<u>21,429</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Basic programs	3,311,461	3,219,275	3,211,179	8,097
Added needs	<u>553,962</u>	<u>501,436</u>	<u>485,759</u>	<u>15,677</u>
<b>TOTAL INSTRUCTION</b>	<u>3,865,423</u>	<u>3,720,711</u>	<u>3,696,938</u>	<u>23,773</u>
<b>Support services:</b>				
Pupil	228,066	268,807	257,449	11,358
Instructional staff	158,941	55,936	49,312	6,624
General administration	228,647	225,046	220,049	4,997
School administration	525,274	517,391	512,268	5,123
Business	153,009	151,880	150,966	914
Operation and maintenance	769,473	716,772	707,532	9,240
Transportation	352,078	367,700	359,835	7,865
Central	6,800	112,763	103,204	9,559
Other	<u>3,501</u>	<u>3,501</u>	<u>3,872</u>	<u>(371)</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>2,425,789</u>	<u>2,419,796</u>	<u>2,364,487</u>	<u>55,309</u>
<b>TOTAL EXPENDITURES</b>	<u>6,291,212</u>	<u>6,140,507</u>	<u>6,061,425</u>	<u>79,082</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(146,870)</u>	<u>52,290</u>	<u>152,801</u>	<u>100,511</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of school property			1,000	1,000
Redemption of principle	(15,688)	(15,688)	(15,315)	373
Transfers out	<u>(229,000)</u>	<u>(229,000)</u>	<u>(223,221)</u>	<u>5,779</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(244,688)</u>	<u>(244,688)</u>	<u>(237,536)</u>	<u>7,152</u>
<b>NET CHANGE IN FUND BALANCE</b>	(391,558)	(192,398)	(84,735)	107,663
<b>FUND BALANCE:</b>				
Beginning of year			<u>908,968</u>	
End of year			<u>\$ 824,233</u>	

See notes to financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Summerfield Schools, as of and for the year ended June 30, 2008, which collectively comprise Summerfield Schools' basic financial statements and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Summerfield Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We considered the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency above as 2008-1, is not a material weaknesses.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Summerfield Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Summerfield School's response to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Summerfield Schools' response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
October 31, 2008



SUMMERFIELD SCHOOLS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2008

Finding 2008-1

Finding considered a significant deficiency

Criteria:

Effective for the year ended June 30, 2008, Statement on Auditing Standards No.112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2007), requires us to communicate in writing to managements and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there are no segregation of conflicting duties of initiating transactions, and the recording of those transactions

Cause

The District has a limited number of personnel.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the District to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Recommendation

The District should consider adding additional personnel in order to segregate duties.

Client Response

Effective, July 1, 2008, the District has employed an additional staff member in the Business Office, which will accomplish the recommended segregation of duties.

**SUMMERFIELD SCHOOLS**

**BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUND TYPE**

**June 30, 2008**

**With Comparative Totals for June 30, 2007**

			Totals Nonmajor Governmental Funds	
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 130,612	\$ 127,004	\$ 257,616	\$ 228,351
Accounts receivable	11,522		11,522	74
Prepaid expenditures	4,490		4,490	
Due from other governmental units	8,343		8,343	1,526
Inventory	<u>3,096</u>		<u>3,096</u>	<u>3,129</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 158,063</b></u>	<u><b>\$ 127,004</b></u>	<u><b>\$ 285,067</b></u>	<u><b>\$ 233,080</b></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 8,100	\$ 86	\$ 8,186	\$ 23,803
Due to other funds	6,814		6,814	81
Salaries payable	4,540		4,540	4,863
Accrued expenditures	5,818		5,818	1,167
Unearned revenue	<u>4,288</u>		<u>4,288</u>	<u>2,849</u>
<b>TOTAL LIABILITIES</b>	<u><b>29,560</b></u>	<u><b>86</b></u>	<u><b>29,646</b></u>	<u><b>32,763</b></u>
<b>FUND BALANCE:</b>				
Reserved for:				
Inventory	3,096		3,096	3,129
Debt Service		126,918	126,918	119,379
Unreserved, reported in:				
Special Revenue Funds	<u>125,407</u>		<u>125,407</u>	<u>77,809</u>
<b>TOTAL FUND BALANCE</b>	<u><b>128,503</b></u>	<u><b>126,918</b></u>	<u><b>255,421</b></u>	<u><b>200,317</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$ 158,063</b></u>	<u><b>\$ 127,004</b></u>	<u><b>\$ 285,067</b></u>	<u><b>\$ 233,080</b></u>

**SUMMERFIELD SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUND TYPE**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals Nonmajor Governmental Funds 2008</u>	<u>2007</u>
<b>REVENUES:</b>				
<b>Local sources:</b>				
Property taxes	\$	\$ 312,451	\$ 312,451	\$ 297,801
Investment earnings		2,817	2,817	3,497
Sales, admissions and fees	274,593		274,593	245,106
Other	<u>9,657</u>		<u>9,657</u>	<u>6,431</u>
<b>TOTAL LOCAL SOURCES</b>	284,250	315,268	599,518	552,835
State sources	11,302		11,302	10,621
Federal sources	60,096		60,096	53,788
Intermediate sources	<u>202,332</u>		<u>202,332</u>	<u>189,962</u>
<b>TOTAL REVENUES</b>	<u>557,980</u>	<u>315,268</u>	<u>873,248</u>	<u>807,206</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Food service activities	245,482		245,482	235,247
Athletic activities	233,608		233,608	230,155
Community services	83,351		83,351	71,869
Technology	169,470		169,470	67,116
Capital outlay				77,844
<b>Debt service:</b>				
Interest	203	212,512	212,715	255,997
Fees and miscellaneous		<u>217</u>	<u>217</u>	<u>206</u>
<b>TOTAL EXPENDITURES</b>	<u>732,114</u>	<u>212,729</u>	<u>944,843</u>	<u>938,434</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(174,134)</u>	<u>102,539</u>	<u>(71,595)</u>	<u>(131,228)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Redemption of principal	(1,522)	(95,000)	(96,522)	(76,402)
Transfers in	<u>223,221</u>		<u>223,221</u>	<u>223,200</u>
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<u>221,699</u>	<u>(95,000)</u>	<u>126,699</u>	<u>146,798</u>
<b>NET CHANGE IN FUND BALANCE</b>	47,565	7,539	55,104	15,570
<b>FUND BALANCE:</b>				
Beginning of year	<u>80,938</u>	<u>119,379</u>	<u>200,317</u>	<u>184,747</u>
End of year	<u>\$ 128,503</u>	<u>\$ 126,918</u>	<u>\$ 255,421</u>	<u>\$ 200,317</u>

See notes to financial statements.

SUMMERFIELD SCHOOLS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS

June 30, 2008  
With Comparative Totals for June 30, 2007

	School <u>Lunch</u>	Athletic <u>Fund</u>	Community <u>Recreation</u>	<u>Technology</u>	Totals Special Revenue Funds <u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 1,063	\$ 10,355	\$ 41,330	\$ 77,864	\$ 130,612	\$ 108,972
Accounts receivable	11,522				11,522	74
Due from other governmental units	8,343				8,343	1,526
Prepaid expenditures	4,490				4,490	
Inventory	<u>3,096</u>				<u>3,096</u>	<u>3,129</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,514</u>	<u>\$ 10,355</u>	<u>\$ 41,330</u>	<u>\$ 77,864</u>	<u>\$ 158,063</u>	<u>\$ 113,701</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 4,198	\$ 235	\$ 3,667	\$	\$ 8,100	\$ 16,612
Due to other funds	6,814				6,814	117
Salaries payable		4,300	240		4,540	5,121
Accrued expenditures		5,760	58		5,818	1,301
Unearned revenue	<u>2,883</u>		<u>1,405</u>		<u>4,288</u>	<u>9,612</u>
<b>TOTAL LIABILITIES</b>	<u>13,895</u>	<u>10,295</u>	<u>5,370</u>	<u>-</u>	<u>29,560</u>	<u>32,763</u>
<b>FUND BALANCES:</b>						
Reserved for:						
Inventory	3,096				3,096	3,129
Unreserved, reported in:						
Special Revenue Funds	<u>11,523</u>	<u>60</u>	<u>35,960</u>	<u>77,864</u>	<u>125,407</u>	<u>77,809</u>
<b>TOTAL FUND BALANCES</b>	<u>14,619</u>	<u>60</u>	<u>35,960</u>	<u>77,864</u>	<u>128,503</u>	<u>80,938</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,514</u>	<u>\$ 10,355</u>	<u>\$ 41,330</u>	<u>\$ 77,864</u>	<u>\$ 158,063</u>	<u>\$ 113,701</u>

**SUMMERFIELD SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Community Recreation</u>	<u>Technology</u>	<u>Totals Special Revenue Funds 2008</u>	<u>2007</u>
<b>REVENUES:</b>						
Local sources:						
Sales, admissions and fees	\$ 155,672	\$ 31,609	\$ 87,312	\$	\$ 274,593	\$ 245,106
Other	<u>1,418</u>	<u>8,239</u>	<u></u>	<u></u>	<u>9,657</u>	<u>6,431</u>
<b>TOTAL LOCAL SOURCES</b>	157,090	39,848	87,312	-	284,250	251,537
State sources	11,302				11,302	10,621
Federal sources	60,096				60,096	53,788
Intermediate sources	<u></u>	<u></u>	<u></u>	<u>202,332</u>	<u>202,332</u>	<u>189,962</u>
<b>TOTAL REVENUES</b>	<u>228,488</u>	<u>39,848</u>	<u>87,312</u>	<u>202,332</u>	<u>557,980</u>	<u>505,908</u>
<b>EXPENDITURES:</b>						
Cost of commodities	14,629				14,629	10,875
Salaries and wages	30,170	145,565	26,481	21,643	223,859	220,528
Employee benefits	35,147	35,413	6,841	4,587	81,988	82,169
Contracted services	530	22,651	11,756		34,937	43,680
Contracted services	163,916				163,916	157,442
Travel, workshops, and conferences		1,773			1,773	901
Materials and supplies	1,090	14,464	36,958	124,791	177,303	75,399
Capital outlay						77,844
Interest expense	203				203	
Miscellaneous	<u></u>	<u>13,742</u>	<u>1,315</u>	<u>18,449</u>	<u>33,506</u>	<u>13,393</u>
<b>TOTAL EXPENDITURES</b>	<u>245,685</u>	<u>233,608</u>	<u>83,351</u>	<u>169,470</u>	<u>732,114</u>	<u>682,231</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(17,197)</u>	<u>(193,760)</u>	<u>3,961</u>	<u>32,862</u>	<u>(174,134)</u>	<u>(176,323)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Redemption of principal	(1,522)				(1,522)	(1,402)
Transfers in	<u>29,821</u>	<u>193,400</u>	<u></u>	<u></u>	<u>223,221</u>	<u>223,200</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>28,299</u>	<u>193,400</u>	<u>-</u>	<u>-</u>	<u>221,699</u>	<u>221,798</u>
<b>NET CHANGE IN FUND BALANCES</b>	11,102	(360)	3,961	32,862	47,565	45,475
<b>FUND BALANCES:</b>						
Beginning of year	<u>3,517</u>	<u>420</u>	<u>31,999</u>	<u>45,002</u>	<u>80,938</u>	<u>35,463</u>
End of year	<u>\$ 14,619</u>	<u>\$ 60</u>	<u>\$ 35,960</u>	<u>\$ 77,864</u>	<u>\$ 128,503</u>	<u>\$ 80,938</u>

See notes to financial statements.

**SUMMERFIELD SCHOOLS**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**

June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

<u>ASSETS</u>	<u>Durant Debt Fund</u>	<u>2006 Debt Service</u>	<u>Total 2008</u>	<u>Total 2007</u>
Cash and cash equivalents	\$ _____	\$ 127,004	\$ 127,004	\$ 119,379
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 127,004</b>	<b>\$ 127,004</b>	<b>\$ 119,379</b>
 <u>LIABILITIES AND FUND BALANCE</u>				
<b>LIABILITIES:</b>				
Accounts payable	\$ _____	\$ 86	\$ 86	\$ _____
<b>TOTAL LIABILITIES</b>	<b>_____</b>	<b>86</b>	<b>86</b>	<b>_____</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Debt service	\$ _____	\$ 126,918	\$ 126,918	\$ 119,379
<b>TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 126,918</b>	<b>\$ 126,918</b>	<b>\$ 119,379</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ _____</b>	<b>\$ 127,004</b>	<b>\$ 127,004</b>	<b>\$ 119,379</b>

**SUMMERFIELD SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUNDS**

For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007

	<u>Durant</u> <u>Debt Fund</u>	<u>2006</u> <u>Debt</u> <u>Service</u>	<u>Totals</u> <u>2008</u>	<u>Total</u> <u>2007</u>
<b>REVENUES:</b>				
<b>Local sources:</b>				
Property taxes	\$	\$ 312,451	\$ 312,451	\$ 297,801
Investment earnings		2,817	2,817	3,497
State sources	_____	_____	_____	_____
<b>TOTAL REVENUES</b>	<u>-</u>	<u>315,268</u>	<u>315,268</u>	<u>301,298</u>
<b>EXPENDITURES:</b>				
<b>Debt Service:</b>				
Interest expense		212,512	212,512	255,997
Fees and miscellaneous	_____	<u>217</u>	<u>217</u>	<u>206</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>212,729</u>	<u>212,729</u>	<u>256,203</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	_____	<u>102,539</u>	<u>102,539</u>	<u>45,095</u>
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Redemption of principal	_____	<u>(95,000)</u>	<u>(95,000)</u>	<u>(75,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	7,539	7,539	(29,905)
<b>FUND BALANCE:</b>				
Beginning of year	-	<u>119,379</u>	<u>119,379</u>	<u>149,284</u>
End of year	<u>\$ -</u>	<u>\$ 126,918</u>	<u>\$ 126,918</u>	<u>\$ 119,379</u>

SUMMERFIELD SCHOOLS  
 COMBINING BALANCE SHEET  
 NONEXPENDABLE TRUST FUNDS  
 June 30, 2008  
 With Comparative Totals for June 30, 2007

			Totals	
	Gerber	Rumler	Nonexpendable Trust Funds	
<u>ASSETS</u>	<u>Scholarship</u>	<u>Scholarship</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 26,265	\$ 5,023	\$ 31,288	\$ 21,466
Investments	<u>          </u>	<u>10,889</u>	<u>10,889</u>	<u>14,023</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,265</u>	<u>\$ 15,912</u>	<u>\$ 42,177</u>	<u>\$ 35,489</u>
<u>NET ASSETS</u>				
Reserved for:				
Scholarships – nonexpendable	<u>\$ 26,265</u>	<u>\$ 15,912</u>	<u>\$ 42,177</u>	<u>\$ 35,489</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 26,265</u>	<u>\$ 15,912</u>	<u>\$ 42,177</u>	<u>\$ 35,489</u>



SUMMERFIELD SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 NONEXPENDABLE TRUST FUNDS

For the Year Ended June 30, 2008  
 With Comparative Totals for the Year Ended June 30, 2007

	<u>Gerber Scholarship</u>	<u>Rumler Scholarship</u>	<u>Totals Nonexpendable Trust Funds 2008</u>	<u>2007</u>
<b>REVENUES:</b>				
Contributions	\$ 5,000	\$	\$ 5,000	\$
Investment earnings	<u>1,324</u>	<u>572</u>	<u>1,896</u>	<u>1,232</u>
<b>TOTAL REVENUES</b>	<u>6,324</u>	<u>572</u>	<u>6,896</u>	<u>1,232</u>
<b>EXPENSES:</b>				
Fees and miscellaneous	<u></u>	<u>208</u>	<u>208</u>	<u>817</u>
<b>TOTAL EXPENSES</b>	<u>-</u>	<u>208</u>	<u>208</u>	<u>817</u>
<b>CHANGE IN NET ASSETS</b>	6,324	364	6,688	415
<b>NET ASSETS:</b>				
Beginning of year	<u>19,941</u>	<u>15,548</u>	<u>35,489</u>	<u>35,074</u>
End of year	<u>\$ 26,265</u>	<u>\$ 15,912</u>	<u>\$ 42,177</u>	<u>\$ 35,489</u>

SUMMERFIELD SCHOOLS  
 COMBINING BALANCE SHEET  
 EXPENDABLE TRUST & AGENCY FUNDS  
 June 30, 2008  
 With Comparative Totals for June 30, 2007

<u>ASSETS</u>	Gaza Expendable Trust	Agency	Totals Expendable Trust & Agency Trust Funds 2008	2007
Cash and cash equivalents	\$ 282	\$ 51,956	\$ 52,238	\$ 47,065
Investments	<u>6,184</u>	<u>36,417</u>	<u>42,601</u>	<u>47,514</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,466</u>	<u>\$ 88,373</u>	<u>\$ 94,839</u>	<u>\$ 94,579</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Liabilities:</b>				
Due to student groups	\$ _____	\$ 88,373	\$ 88,373	\$ 87,905
<b>TOTAL LIABILITIES</b>	-	88,373	88,373	87,905
 <b>Net Assets:</b>				
<b>Reserved for:</b>				
Scholarships – expendable	<u>6,466</u>	_____	<u>6,466</u>	<u>6,674</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,466</u>	<u>\$ 88,373</u>	<u>\$ 94,839</u>	<u>\$ 94,579</u>

SUMMERFIELD SCHOOLS  
 STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGE IN NET ASSETS  
 EXPENDABLE TRUST FUND  
 For the Years Ended June 30, 2008 and 2007

	Garza Memorial Expendable Trust	
	<u>2008</u>	<u>2007</u>
<b>REVENUES:</b>		
Contributions	\$	\$ 600
Investment earnings	<u>292</u>	<u>174</u>
<b>TOTAL REVENUES</b>	292	774
<b>EXPENSES:</b>		
Scholarships paid	<u>500</u>	<u>1,000</u>
<b>TOTAL EXPENSES</b>	<u>500</u>	<u>1,000</u>
<b>CHANGE IN NET ASSETS</b>	(208)	(226)
<b>NET ASSETS:</b>		
Beginning of year	<u>6,674</u>	<u>6,900</u>
End of year	<u>\$ 6,466</u>	<u>\$ 6,674</u>

SUMMERFIELD SCHOOLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
For the Year Ended June 30, 2008

<u>ASSETS</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Cash and cash equivalents	\$ 46,783	\$ 158,475	\$ 153,302	\$ 51,956
Investments	<u>41,122</u>	<u>          </u>	<u>4,705</u>	<u>36,417</u>
<b>TOTAL ASSETS</b>	<u>\$ 87,905</u>	<u>\$ 158,475</u>	<u>\$ 158,007</u>	<u>\$ 88,373</u>
 <u>LIABILITIES</u>				
Due to student groups	\$ 87,905	\$ 158,475	\$ 158,007	\$ 88,373
<b>TOTAL LIABILITIES</b>	<u>\$ 87,905</u>	<u>\$ 158,475</u>	<u>\$ 158,007</u>	<u>\$ 88,373</u>

October 31, 2008

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summerfield Schools (District) for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

2. Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated accounts and taxes receivable, estimated compensated absences, estimated capital asset lives for depreciation and the estimated values used for the District's capital assets upon the implementation of GASB Statement No. 34.

Accounts and taxes receivable and compensated absences are estimated using the information available as of the date of the auditors' report. Management's estimate of values used for the District's capital assets is based upon either historical cost, if known, or the estimated fair value at the implementation of GASB Statement No. 34 and estimated useful lives are reviewed annually. We evaluated the key factors and assumptions used to develop accounts and taxes receivable, capital assets and the lives for depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

To the Board of Education  
Summerfield Schools  
Petersburg, Michigan

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements for a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

***Robertson, Eaton & Owen, P.C.***